



# delivering world class service

for competitive advantage in a changing  
mid-corporate commercial insurance market

# executive summary

---

# world-class

*Adj.*

Ranking among the foremost in the world; of an international standard of excellence; of the highest order

## Executive summary

“We need to seriously improve overall as an industry and make trading easier” Broker

For any industry, efficiently delivering a good quality product is fundamental to its success. Arguably, for the insurance industry, customer service is the product. We have identified a number of critical ‘get rights’ for the industry.

Becoming more productive is about getting the right skills deployed on the right tasks and enabling your people and technology to deliver effectively and efficiently. Our research suggests that the industry is not deploying the people and technology in the best way possible, despite significant changes occurring in the operating structure of brokers and insurers.

The heart of the mid-corporate\* insurance business involves a skilled broker and skilled underwriter understanding customer needs and translating and negotiating this into a complex contract. The efficiency of this process can be significantly influenced by straightforward human factors, such as the historical knowledge of the insured or the relationship between the broker and insurer. The market is highly concentrated with the top 140 brokers controlling an estimated 80% of the mid-corporate market and the top twelve insurers controlling 88% of market gross written premium (GWP). There is also a concentration of customers, with just 43,500 businesses in this turnover band.

Evidence would suggest that the mid-corporate market is largely profitable but insurers, whilst having a strong appetite in this segment, do not seem to want to invest in service delivery within this market. One of the most significant findings from the research was that the mid-corporate marketplace has not been focused on as a discrete market segment. Rather it has been bundled together with clients from the SME or large corporate sectors.

There has been a tendency to adopt approaches that they have developed for the SME sector. Cost cutting, commoditisation, support for managing general agents and other network routes have been wrongly applied to the lower end of the mid-corporate market. Our survey shows that this has not been necessarily successful in delivering customer service.

Many brokers, insurers and reinsurers have focused on cost cutting and restructuring in recent times, but they have not considered these changes in the context of the mid-corporate segment. In addition, little consideration has been given to the end-to-end value or service chain. Rather the focus has been on individual portions or elements. This has led to large degrees of duplication with no obvious improvement in industry efficiency. If anything, as everybody compensates for each other’s short comings, customer service may have worsened.

This clearly presents an opportunity for both brokers and insurers to improve matters. Those that can demonstrate the key capabilities for the mid-corporate segment will be targeting an area that has been largely ignored.

The key ‘get rights’ that Ernst & Young has established as part of the research are summarised overleaf.

\* The mid-corporate segment contains those businesses with a turnover ranging from £5m - £250m. It excludes large international customers and London Market business.

## Understanding customer needs and customer segmentation

A better understanding of customers is a key theme throughout the report and according to interviewees is an area in which both brokers and insurers struggle to demonstrate any degree of excellence. This lack of understanding led to confusion between the brokers and insurers around roles resulting in preventing service excellence.

**Brokers** – The mid-corporate segment is highly concentrated and a sound understanding of the customer dynamics is integral to a successful strategy. Brokers need to decide who and where to target, together with understanding the key requirements of this segment and establishing a competitive proposition together with insurers.

**Insurers** – The insurers have the added challenge of needing to understand the intensity of the distribution channels and customer dynamics. A comprehensive understanding of both these elements will allow the insurer to set a clear distribution strategy, communicate its preferred trade segment and risk appetite. This will allow the appropriate brokers to align their businesses and together create a dedicated mid-corporate proposition, which must be service-led.

An integral part to understanding customer needs is the requirement to accurately segment the mid-corporate market. Thinking needs to extend beyond just size, trade and industry segment towards a more sophisticated approach that will significantly improve customer acquisition and retention in the commercial lines market.

Customer value modelling techniques can help to better understand which customers are generating or destroying value and through which broker and channel they are sourced. This can be used as an effective tool for strategic distribution decisions, segment prioritisation and optimising operations. Such an approach has already proven its worth in personal lines insurance.

## Price and value

Price is one of the key factors driving customer-buying behaviour above any other dynamic discussed in the research.

**Brokers** – One of the major grievances raised by both brokers and insurers was the inability to sell the value of their services, except on price. A stronger relationship needs to be built with the client to encourage insurers to adopt a differentiated service proposition. This will assist the broker in both winning and retaining business in the mid-corporate segment. This should not be purely price driven.

**Insurers** – For brokers to ‘sell’ value they need to be able to consistently demonstrate that value is being provided by certain insurers in comparison to others. Common themes were reliability, flexibility and accuracy, with insurers needing to ensure a minimum standard is consistently reached.

Brokers often encourage a tripartite relationship between the customer, broker and insurer. This may present an opportunity to create greater customer intimacy, so price is not always king.

“ Individual brokers have a role to play in this as they need to be adding value by keeping their customers informed. They need to have constant contact not just at renewal and when problems occur ” Broker

**Industry** – Professional competence, quality of advice and expertise were consistent requests specific to the mid-corporate segment. Brokers, insurers and the CII have a responsibility to continue to drive up the quality and professionalism of the insurance industry and promote itself to the wider world. This will not eradicate the need for competitive pricing, but it may improve the ability to sell insurance beyond price.

## Operating model

The most common complaint raised by broker respondents was the continual uncertainty regarding how, where and whom they should be dealing with at the insurers. There is a clear opportunity for brokers and insurers to have a more constructive dialogue and to focus their efforts to ensure an improved service is delivered to the end customer.

**Brokers** – Much confusion exists within the current value chain as to the role a broker is playing. The broker needs to agree which insurers are most closely aligned with its target customers and agree an operating model and service levels that are deliverable by all parties.

The role of each party must be clearly defined to ensure accountability for the particular activity and also avoid duplication and re-work. With clarity of roles, it becomes much easier to determine where there is scope for improvement in the value chain and precisely who is responsible for delivering it.

**Insurers** – Paramount to the success of a mid-corporate segment insurer is a clearly-defined and bespoke mid-corporate proposition, supported by a distinct operating model for this market. There are core elements of a mid-corporate operating model that insurers must get right, whilst retaining the ability to respond to different customer and broker needs. The model must be built to accommodate the core requirements applicable across the whole mid-corporate segment. This is likely to include elements of both the small and large models but must not dilute the mid-corporate proposition or add unnecessary cost.

Segment	Small business target operating model			Mid-corporate target operating model			Large corporate target operating model
	Self Employed	Micro employees (1-9)	Small (10-25) employees	Small medium	Medium	Large	Major
Premium	£0 – £500	£501 – £2,500	£2,501 – £10,000	£10,001 – £25,000	£25,001 – £250,000	£250,001 – £1,000,000	£1,000,000+
Drivers	Volume Commodity STP/Efficiency Technology Service Marketing Price Remuneration			Proximity Access to decision makers Understanding customer needs Account management Risk management Dedicated claims service Technology Price flexibility			Risk Managed Alternative Risk Transfer Tri-partite relationship Unique service Broad range of requirements Expertise Global Price

Source: Ernst & Young survey on 'Delivering 'world class' service for competitive advantage in a changing mid-corporate commercial insurance market', 2009

**Proximity and access to decision makers** is a key requirement for broker respondents. Insurers need to maintain local decision making capabilities that have sufficient empowerment to ensure that arduous referral process does not hamper customer service.

**Account management** is another area that is seen as an opportunity for insurers to excel and has been essential for interaction with brokers. Extending the service to the end customer has the additional benefit of allowing insurer account managers to meet customers as part of a tripartite approach with the broker, thus enabling them to have a better understanding of customer needs and making them more accountable for their actions as Insurers in the future.

Also increasing in importance is the requirement to **put forward the claims manager** as part of the client relationship team, as it is often he/she who will be working closest with the client during the policy lifetime. The quality of claims personnel put forward was cited as a key factor in customer selection of insurer.

## Other competencies

**Claims handling** is a core element of any service regardless of the segment of the market. All parties that responded to the survey expressed claims as one of, if not the, most critical 'get right' for insurers. Reliability, professional competence and appreciation of the size of the customer were cited as important to an effective claims-handling service. Unfortunately, the most common comment was that the financial compensation received by the customer tended to impact the overall experience, regardless of the service delivery.

**Risk management** is another core competence required in the mid-corporate segment. While no specific aspects were highlighted, it was deemed as an opportunity to ensure the insurers were on risk for a client akin to the original risk presentation. Brokers were relieved if a visit had taken place without an adverse reaction from the customer. Again, the provision of risk management services is an opportunity for the broker and insurer alike to demonstrate value beyond price.

The research identified that both brokers and insurers need to focus on better presentation of risk information. Insurers are seeking greater detail and accuracy for large clients and the brokers are expecting a faster response. The process could be improved if brokers and insurers work closer together. Evidence suggests that when they do work together, there is a higher success rate in winning and retaining business.

**Technology** continues to be regarded as one of the major enablers to many of the inefficiencies highlighted throughout the research. Respondents felt that technology had the ability to improve all of the key interaction points, from providing a single customer view, giving access to data and management information, automating the low value-add activities, improving the speed and accuracy of documentation through to claims handling. The big question here is how and where to start?

**Industry** – The research estimates that £1.32bn is spent annually trying to deliver an acceptable level of customer service to the mid-corporate segment. Yet the majority of the parties we interviewed felt that the customer service from insurers had at best stayed the same or even deteriorated over the past 18 months.

With greater cohesion through the end-to-end value chain (eradicating large degrees of duplication), significant savings estimated at around £80m (please see section 'Why is this happening – Role within the value chain' for further analysis) could be realised from transacting this business more effectively, while at the same time delivering an improved level of customer service.

## Conclusion

The UK insurance industry is still considered as world leading in a number of areas. For it to maintain and enhance this reputation it has the opportunity to take up the challenge and set the standard for 'world class' customer service. At a time of great economic difficulty, and with the reputation of the financial services industry at an all time low, there is no better time to start than now.

**The Chartered Insurance Institute** 42 - 48 High Road, South Woodford, London E18 2JP  
tel: **+44 (0)20 8989 8464** email: [customer.serv@cii.co.uk](mailto:customer.serv@cii.co.uk) website: [www.cii.co.uk](http://www.cii.co.uk)

© The Chartered Insurance Institute 2009

Ref: CII - Insurance Broking (04/09)  
CII\_3976

